



September 30, 2011

Dear Fellow State Employee,

The Rhode Island General Assembly will convene a special legislative session next month to consider strengthening Rhode Island's state retirement system. We are strong advocates of pension reform because the current pension system is unaffordable and does not provide retirement security for state employees and retirees or affordability for taxpayers.

We are writing today to preview the key components of the pension reform discussion and to share our views on what we hope will be the outcome of this important legislative session.

Before we begin, however, we want to thank you for your service. Although we are both new to state government, we witness every day the dedication and hard work of the men and women in state service. Your commitment makes a difference in the lives of every Rhode Islander. We also know that you and your family have an important financial stake in this debate as an employee and taxpayer. **For this very important reason, we want to make clear that first and foremost, we will propose no change in the retirement age for those already eligible to retire, and we will not propose any incentives to retire. Continuing to work means you will continue to accrue benefits.**

Here are some additional goals that will form the foundation of our proposed reform:

Comprehensive, One-Time Reform. Any pension solution must be comprehensive and solve this problem once and for all. It isn't fair to employees to adjust the pension system year after year. We will be actively engaged with the members of the House of Representatives and the Senate to advocate for a legislative solution that fixes the problem -- once and for all.

Retaining Talented State Employees; No Incentives to Accelerate Retirement Plans. Fixing the pension system will require shared sacrifice: from employees, retirees, and taxpayers. At the same time, however, all Rhode Islanders have an interest in retaining an experienced and talented state employee workforce while supporting a retirement program that attracts capable employees. Accordingly, our pension reform proposal will not reduce any benefits that have been accrued by both active employees and retirees. In addition, state employees eligible to retire, or those nearing retirement, would not have any incentive to accelerate their retirement under our plan.

COLA: Cost of Living Adjustments. Cost of living adjustments are one of the biggest cost drivers of the state's \$7 billion unfunded pension liability. Any meaningful and sustainable pension reform must limit COLAs. We are exploring the following potential COLA limitations: a temporary COLA suspension; tying COLAs to investment returns and pension plan fiscal stability; and/or limiting COLAs to a lower fixed dollar amount. COLA changes are essential to restoring fiscal stability to the state's pension system.

Continued Taxpayer Support for State Pension System. State employees did not cause Rhode Island's pension problem. And so it would not be fair to expect that state employees will bear the entire burden of fixing the problem. We therefore expect that taxpayers will continue to do their share to ensure the solvency of the pension system.

We are in this together. Rhode Island has great challenges and opportunities ahead. We all have a stake in helping our beautiful state reach its full potential. We need to improve our schools, repair our roads and bridges, and invest in economic development and job creation. Fixing our pension system is an essential step to helping Rhode Island realize its full potential.

For additional updates please visit our web sites www.governor.ri.gov or www.treasury.ri.gov.

Sincerely,



Lincoln D. Chafee
Governor



Gina M. Raimondo
General Treasurer

Thank you!